REMARKS

In the Office Action, the Examiner indicated that claims 1 through 40 are pending in the application and the Examiner rejected all claims.

The Claim Objections

On page 2 of the Office Action, the Examiner objected to claims 1-2, 14-15, 27, 36, and 40 for the use of bullet points. Applicant has amended these claims to remove the bullet points, as required by the Examiner.

The §101 Rejection

On page 2 of the Office Action, the Examiner rejected claims 1-13 under 35 U.S.C. §101 as being directed to non-statutory subject matter. Applicant has accordingly amended claim 1 to direct the claim to a "computer implemented method" of optimizing investment performance. Applicant has additionally added the required structural/functional interrelationship. Accordingly, applicant believes that claim 1, and all claims depending thereon (claims 2-13), have overcome the Examiner's §101 rejection.

Claim Rejections, 35 U.S.C. §102

On page 3 of the Office Action, the Examiner rejected claims 1-40 under 35 U.S.C. §102(e) as being anticipated by U.S. Patent No. 6,360,210 to Wallman ("Wallman").

The Present Invention

The present invention provides a method for optimizing the investment performance of an economic entity including the step of transferring market risk but not credit risk from a first account to a second account. The invention also provides a system for optimizing the investment performance of an economic entity including means for transferring market risk but not credit risk from a first account to a second account.

More specifically, the invention includes providing a first account in a first regulatory environment, where the first account owns an investment portfolio, and a second account in a second regulatory environment. Market risk is transferred from the first account to the second account via a counterparty. Credit risk is never transferred.

U.S. Patent No. 6,360,210 to Wallman

U.S. Patent No. 6,360,210 to Wallman ("Wallman") is a computer-based system for enabling an individual investor to manage risk underlying a portfolio of securities. Wallman provides a mechanism whereby investors can purchase various types of insurance on their portfolio, pay for this insurance, and then sell the risk to a third party. This mechanism takes a given portfolio and analyzes it by calculating the cost to shield the portfolio utilizing publicly traded instruments.

With the Wallman method, the buyer is a publicly traded securities market. This requires the conversion of a hedged component of an original portfolio into a portfolio of publicly traded instruments. In applying the method disclosed by Wallman, if a publicly traded instrument that matches the risk cannot be found, then it cannot be hedged.

The Cited Prior Art Does Not Anticipate the Claimed Invention

The MPEP and case law provide the following definition of anticipation for the purposes of 35 U.S.C. §102:

> "A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." MPEP §2131 citing *Verdegaal Bros. v. Union Oil Company of California*, 814 F.2d 628, 631, 2 U.S.P.Q. 2d 1051, 1053 (Fed. Cir. 1987)

The Examiner Has Not Established a *prima facie* Case of Anticipation

The claimed invention is a computer implemented method or system for optimizing investment performance of an economic entity. The invention involves providing on an investment date, a first account in a first regulatory environment where the first account owns an investment portfolio. The invention further requires the provision of a second account in a second regulatory environment. Market risk is then transferred from the first account to the second account through a counterparty. However, credit risk is not transferred. Either gains or losses are then recognized in the second account at a future date from the investment date. The method and system are computer implemented.

The claimed invention provides an investment system that has the advantage of optimizing an economic entity's investment performance. The method and system transfers an economic entity's investment risk between different regulatory environments while still maintaining the advantages of holding the investments in an initial environment. There present invention provides the further advantage of creating a more flexible investment structure that can be adapted to a multiple regulatory environment.

Wallman on the other hand merely provides a computer-based system for enabling an individual investor to manage risk underlying a portfolio of securities. The system has a graphical user interface that prompts a user for information regarding the portfolio, a memory for storing the portfolio and the information regarding the portfolio; and a processor for analyzing the portfolio to determine a price to charge the user to insure the value of the portfolio at a predetermined level at a predetermined time. Wallman therefore provides a mechanism whereby investors can purchase various types of insurance on their portfolio. The investor can pay for this insurance and the risk can be sold to a third party. This mechanism takes a given portfolio and analyzes it by calculating the cost to shield the portfolio utilizing publicly traded instruments.

The present invention calculates the value of the risks in the portfolio, but advantageously and unlike the method disclosed by Wallman, splits the risks into two separate accounts. The two accounts could either be held by the same investor or a different investor. In Wallman, it is necessary to find a publicly traded instrument (or a bundle of such instruments) to act as the hedging vehicle. The method and system of the present invention does not require any other instrument. This increases the variety of securities that an investor can hold in a portfolio, and also greatly reduces costs.

Furthermore, with the method disclosed by Wallman, the buyer is a publicly traded securities market. This requires the conversion of a hedged component of an original portfolio into a portfolio of publicly traded instruments. In applying the method disclosed by Wallman, if a publicly traded instrument that matches the risk cannot be found, then it cannot be hedged.

However the claimed invention advantageously has a buyer of the other leg of the risk. The buyer can advantageously be the same economic entity that holds the original portfolio.

It is therefore submitted that the claimed invention is novel over Wallman and that the Examiner's rejection should be withdrawn.

Favorable reconsideration and allowance of this application are respectfully requested.

Conclusion

The present invention is not taught or suggested by the prior art. Accordingly, the Examiner is respectfully requested to reconsider and withdraw the rejection of the claims. An early Notice of Allowance is earnestly solicited.

Enclosed herewith, in triplicate, is a Petition for extension of time to respond to the Examiner's Action, along with a Credit Card Payment Form authorizing the payment of the extension fee. The Commissioner is hereby authorized to charge any additional fees or credit any overpayment associated with this communication to Deposit Account No. 19-5425.

Respectfully submitted

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Date

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